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May 31, 1956

TO: The Secretary

FROM: S/

SUBJECT: U. S. Policy toward Formosa

DEPARTMENT OF STATE A/CDC/MR	
REVIEWED BY <u>JS</u>	DATE <u>20 AUG 1987</u>
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1. The existing policy.

Present U. S. policy toward Formosa is found in NSC 37/5, the President's statement of January 5, 1950 (Tab A), and in statements made by the Secretary of State at a press conference on January 5, 1950. The basic factors underlying this policy were:

- (1) A desire to clarify the situation in the face of an increasing wave of speculation highly prejudicial to the interests of the United States.
- (2) The JCS advice that the strategic importance of Formosa to the national security did not warrant the use of armed forces to deny the island to the Communists, in the light of the disparity between available U. S. forces and global obligations.
- (3) A desire not to extend U. S. prestige to the support of a losing cause on Formosa, in the face of a unanimous intelligence estimate that Formosa would fall to Communist hands without the intervention of U. S. armed forces.
- (4) The moral position of the U. S. would be endangered by a course which would seek to detach Formosa from China.

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- (5) U. S. action to separate Formosa from China would create the issue of a Formosa impeachment in the minds of the Chinese people and would divert their hostility from the Soviet Union to the United States.

3. Under existing policy U. S. assistance to Formosa is limited to:

- (1) The completion of the \$125 million arms assistance program of which about \$2 million remain to be committed.
- (2) Economic assistance, which it is planned to render on a somewhat increased basis.
- (3) covert activities directed against the Communists on the mainland and directed to support certain elements in Formosa, including the possibility of some armed assistance on a covert basis.
- (4) Nationalist Government purchases through U. S. commercial channels and hiring of U. S. citizens as technical advisers.

4. Present intelligence estimates agree that Formosa will ultimately fall to the Communists, short of the intervention of U. S. armed forces, although there are differences as to when such a fall might occur and the effect of increased American military assistance.

5. Key elements in the situation.

Since the public declaration of U. S. policy toward Formosa in early January certain new factors have entered the picture, and certain other factors have shifted in importance. Factors which should be revisited in this connection are: (a) the Sino-Soviet Agreement announced on February 14, 1950, (b) continuation of Soviet disarmament designs on Communist China, (c) Soviet intervention on a considerable scale in the civil war in China, (d) Communist recognition and support of Ho Chi-minh and increasing aggressiveness toward other countries of Southeast Asia, (e) reaction in the resources of the

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Chinese Nationalist Government, (f) uncertainty regarding U. S. policy in such key areas as Japan, the Philippines, Indo-China and other threatened countries where "false fighting" is assuming greater proportions pending clarification as to who will "win" in the struggle in the Pacific, and (g) increasing disillusionment and dissatisfaction among the Chinese people with Chinese Communist rule. Some of these factors are discussed in Tab 2.

3. Overall policy considerations.

Our policy toward Formosa should be properly related to our general policy in the Far East and elsewhere. Admittedly, our primary concern in the present situation must be Europe and our activity in the Far East must be in the nature of a holding operation. This concept will succeed, however, only if we do in fact hold in the Far East. It may be noted that our wartime "holding operation" in Asia was an active one which recaptured Burma and moved from Guadalcanal to Okinawa pending the redeployment of overwhelming force against Japan. The military analogy is, of course, incorrect and must be used with care. We do not expect to reach a decision such as "unconditional surrender" in the East -- in fact, we are engaged in a long-range holding operation in Europe. Failure to hold in the Far East cannot be reversed by a redeployment of major forces for purposes of recapture.

Tab 2 discussed overall policy considerations connected with the cold war. A fundamental element is the necessity for creating the opinion throughout Asia that we are on the winning side and that the winning side is accessible to the people of Asia.

4. Intelligence estimate on effects of fall of Formosa.

Tab 3 is an intelligence estimate on the probable effects of the fall of Formosa. Its principal weakness is its inadequate treatment of the impact of a psychology of success on the wavering peoples of the Far East.

5. Factors to be considered in decision to insure that question of Formosa be settled by peaceful means.

Tab 4 indicates the nature of the problems involved in such a decision, under the following headings:

- (1) Overall cold war aspects
- (2) Strategic importance
- (3) Military practicability and military risks, including budgetary aspects
- (4) Political refuge for Nationalist personnel
- (5) Preservation of pool of anti-Communist Chinese

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- (6) Loss for covert and psychological operations against China
- (7) Denial of military equipment on Formosa to Communists
- (8) Involvement with Chiang Kai-shek
- (9) Maladministration in Formosa
- (10) Financial and economic assistance
- (11) Limited military assistance
- (12) Propaganda aspects, particularly in China
- (13) Coordination with western allies
- (14) Effect on attempt to block Communism in SEA, especially in Philippines and French Indo-China
- (15) Procedures required to implement decision

2. Procedure to implement decision, if made, to insure retention of Formosa in non-Communist hands

Tab B contains a suggested procedure to be used to carry out a decision to insure retention of Formosa in non-Communist hands.

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Present Policy

May 1950
(Mr. Quirk handed these to Mr. Kennan.)

Present U. S. policy toward Formosa is set forth in the statement by the President dated January 5, 1950:

"The United States Government has always stood for good faith in international relations. Traditional United States policy toward China, as exemplified in the Open Door policy, called for international respect for the territorial integrity of China. This principle was recently reaffirmed in the UN General Assembly resolution of December 8, 1949, which, in part, calls on all states

To refrain from (a) seeking to acquire spheres of influence or to create foreign controlled regimes within the territory of China; (b) seeking to obtain special rights or privileges within the territory of China.

"A specific application of the foregoing principles is given in the present situation with respect to Formosa. In the Joint Declaration at Cairo on December 1, 1943, the President of the United States, the British Prime Minister and the President of China stated that it was their purpose that territories Japan had stolen from China, such as 'Formosa', should be restored to the Republic of China. The United States was a signatory to the Potsdam Declaration of July 26, 1945, which declared that the terms of the Cairo Declaration should be carried out. The provisions of this Declaration were accepted by Japan at the time of its surrender. In keeping with these declarations, Formosa was surrendered to Generalissimo Chiang Kai-shek and for the past four years the United States and the other Allied Powers have accepted the exercise of Chinese authority over the island.

"The United States has no predatory designs on Formosa or on any other Chinese territory. The United States has no desire to obtain special rights or privileges or to establish military bases on Formosa at this time. Nor does it have any intention of utilizing its armed forces to interfere in the present situation. The United States Government will not pursue a course which will lead to involvement in the civil conflict in China.

"Similarly, the United States Government will not provide military aid or service to Chinese forces on Formosa. In the view of the United States Government, the resources on Formosa are adequate to enable them to obtain the items which they might consider necessary for the defence of the island. The United States Government proposes to continue under existing legislative authority the present USA program of economic assistance."

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Since the approval of NSC 37/8 on December 27, 1949 and the President's statement of January 5, 1950, certain developments have occurred which have a bearing on the Formosa problem.

Any prospect that a serious rift might develop in the near future between Moscow and Peking was greatly reduced by the publication of the Sino-Soviet Agreements on February 14, 1950. These agreements were more favorable to Communist China than had been hoped and represented a public declaration of solidarity likely to strengthen the hands of Communists throughout Asia.

Although clear and conclusive evidence is lacking, it appears that the Soviet Union continues to move in on Sinkiang, Inner Mongolia and Manchuria. The President's statement on Formosa rested to a considerable extent upon our commitment to respect the political independence and territorial integrity of China. There is now even less reason than before to suppose that the Kremlin has any intention of respecting the same principles. Since this must be obvious to key sections of Chinese opinion, the effect in China of action which we might take with respect to Formosa might be materially different than it might be without such Soviet moves.

Since the President declared that we would not intervene in the civil war in China, it is clear that the Soviet Union has begun to intervene on a larger scale. This intervention takes the form of large numbers of Russian technicians and advisers and perhaps some Russian military units. In addition, the Soviet Union has furnished important items of military equipment to the Chinese Communists, apparently for use in an assault on Formosa. The scale of Soviet intervention is such that there is now a serious question as to whether Formosa will wind up in Chinese hands with no military significance or in Soviet hands for full development into a Soviet mid-Pacific air and submarine base.

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(d) Communist Recognition of Ho Chi-minh and Increasing
Aggressiveness toward Other Countries of Southeast Asia.

The Communist authorities in Moscow and Peking have recognized Ho Chi-minh as the Government of Indo-China, and have thrown behind Ho Chi-minh the full support of the Communist apparatus in all countries. There is some evidence of direct Chinese Communist assistance to Ho Chi-minh but this appears to be on a small scale at the present time. In addition, however, Communist aggressiveness in other Southeast Asia areas is clearly indicated. Communist leadership has transformed the Huk movement in the Philippines from a group of agrarian discontents to a serious threat to the security of the state on the basis of a broad appeal to Philippine public opinion. In Malaya a hard corps of Communist dissidents is pinning down a large British force and keeps Malaya in a state of nervous insecurity. Communist penetration into both Burma and Indonesia is evident, although not yet fully developed. There is little question, however, that Communist strategy calls for a major effort in Southeast Asia and that the full scope of this effort will become apparent after a minimum consolidation in China. Large and important Chinese communities throughout Southeast Asia offer the Communists a readily available and powerful fifth column for this effort.

(c) Reduction in the Resources of the Chinese Nationalist Government.

The President's statement of January 5 indicated that the Chinese Nationalist Government has the resources to maintain its own defense through purchases in the open market. These resources are dwindling and it cannot now be safely asserted that, in the face of the large-scale assistance being furnished the Chinese Communists on the mainland, the authorities on Formosa are able to maintain a competitive position through their own effort.

(F) Basic Questions Arising in Japan About its Own Future
Orientation.

The situation in Japan is vital from the point of view of American security. Delays in a Japanese peace settlement and the consolidation of the Communist position in Siberia, north Korea and Manchuria have raised active public discussion in Japan about the future orientation

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of Japanese policy. Japan's orientation will turn not only upon their desire to be free from many of the restraints of the present occupation but also upon their assessment of United States intentions with respect to security in the Pacific. This is best illustrated in an excerpt from a memorandum of conversation between Mr. Ikeda (Japanese Finance Minister) and Mr. Joseph M. Lodge (Department of the Army):

"In reviewing the attitudes of the Japanese people, Mr. Ikeda stated that they had not forgotten the statement of Secretary of the Department of Army Royall in February 1949 to the effect that Japan was not necessary to the United States. Emphasis had been given this by later public statements of the United States Government in writing off Formosa. It was further colored by the Communist gains in Indo-China, the fact that South Korea is not strong and could, perhaps, easily be abandoned, and that India's position is not altogether clear.

"The Japanese people are desperately looking for firm ground.

"There is also the possibility that the Soviets may offer a peace treaty in advance of the United States and might include in that offer the return of Sakhalin and the Kuriles.

"The people were aware of the situation in Berlin and the apparent concessions and retreats by the United States Government in meeting the Soviet advances in Europe.

"They were skeptical on just what and when and where the United States would stand firm, and particularly with respect to Japan."

Mr. Ikeda specifically stated that he was delivering the personal views of Prime Minister Yoshida.

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The United States faces a new and critical period in its world position.

The loss of China to Communists who, it now seems, will work in Asia as junior partners of Soviet Communism has had tremendous repercussions throughout the world. It has marked a shift in the balance of power in favor of Soviet Russia and to the disfavor of the United States.

While that basic fact is generally accepted, no one is yet quite sure as to the precise extent to which that power relationship has been shifted. Throughout the world, in Europe, the Mediterranean, the Middle East, Asia and the Pacific, governments and peoples are intently watching for the next move which will provide a measure of the extent of the power shift, so that they can orient their own policies accordingly.

The barometer most closely watched is that which seems to measure the judgment of the United States itself as to its present power and position in the world. If our conduct indicates a continuing disposition to fall back and allow doubtful areas to fall under Soviet Communist control, then many nations will feel confirmed in the impression, already drawn from the North Atlantic Treaty, that we do not expect to stand firm short of the North Atlantic area - which under the Treaty includes Berlin - and the Americas covered traditionally by the Monroe Doctrine and now by the Rio Pact.

If our conduct seems to confirm that conclusion, then we can expect an accelerated deterioration of our influence in the Mediterranean, Near East, Asia and the Pacific. The situation in Japan may become untenable and possibly that in the Philippines. Indonesia, with its vast natural resources may be lost and the oil of the Middle East will be in jeopardy. None of these places provide good "holocaust" grounds once the people feel that Communism is the wave of the future and that even we are retreating before it.

This series of disasters can probably be prevented if at some doubtful point we quickly take a dramatic and strong stand that shows our confidence and resolution. Probably this series of disasters cannot be prevented in any other way.

Of the doubtful areas where such a stand might be taken, Formosa has advantages superior to any other. It is not subject to the immediate influence of Soviet land power. It is close to our naval and air power. It is occupied by the remnants of the non-Communists who have traditionally been our friends and allies. Its status internationally is undetermined by any international act and we have at least some moral responsibility for the native inhabitants. It is gravely concerned by a joint Sino-Soviet expedition in formation. The eyes of the world are focused upon it.

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If the United States were to announce that it would neutralize Formosa, not permitting it either to be taken by Communists or to be used as a base of military operations against the mainland, that is a decision which we could certainly maintain, short of open war by the Soviet Union. Everyone knows that that is the case. If we do not act, it will be everywhere interpreted that we are making another retreat because we do not dare risk war. If it is inferred that we do not dare take a stand that risks war unless our own citadel of the North Atlantic and Western Hemisphere is directly attacked, then the situations referred to above will almost surely happen.

We are not so situated that time is working for us so that it can be argued that we have to buy time. The further losses possible in Indonesia and the Near East would greatly increase the war-making power of the Soviet Union. Quite apart from that, the Soviet Union is increasing its force-in-being, its atomic stockpile and its basic military potential at a rate so rapid that the relative position will be worse two years from now than it is today. That would be so, even though we somewhat increased our own efforts. That also is something that is generally known. In consequence, if the rest of the world feels that we are too afraid to take a stand which would involve a possible risk of war then they would judge that almost certainly we will not take that risk tomorrow unless it is forced upon us by actual attack upon either the North Atlantic or American areas.

Admittedly the determination to withhold Formosa from Communists would involve complications with the Nationalist Government and with their elements on Formosa. It would involve spreading of our own military forces, and possibly some actual losses. However, these aspects are of a secondary order. It is within our power to solve the political complications if we have the resolute will. Also, these same problems will embarrass us if we allow Formosa to fall. The efforts at evacuation, particularly attempts to evacuate to the Philippines large numbers of Nationalists, will pose new problems and difficulties perhaps as embarrassing as those that would be posed by an affirmative policy. It will not leave a good taste if we allow our political problems to be solved by the extermination of our war allies. That was the Russian solution of General Gorik's Polish army.

Quietly, a strong stand at Formosa would involve a slightly increased risk of early war. But sometimes such a risk has to be taken in order to preserve peace in the world and to keep the national prestige required if we are to play our indispensable part in sustaining a free world.

Action to be effective must be prompt.

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DEPARTMENT OF STATE

OFFICE OF INTELLIGENCE RESEARCH

Intelligence Estimate No. 5

May 19, 1950

CONSEQUENCES OF FALL OF TAIWAN TO CHINESE COMMUNISTS

PROBLEM

What would be the probable consequences of the fall of Taiwan to the Chinese Communists during 1950?

SCOPE OF ESTIMATE

This estimate does not include consideration of the military value of Taiwan to the Chinese Communists or the USSR. As an intelligence estimate it also does not deal with possible domestic political consequences in the United States or any international repercussions of such consequences.

ASSUMPTIONS

- I. Soviet participation in any Chinese Communist attack on Taiwan will be either minimal or covert.
- II. The US will continue its present policies in the Far East and, specifically, will not change the level or nature of its present assistance to the National Government, so long as that Government maintains its authority over Taiwan.

ESTIMATE

- I. Diplomatic Consequences of Disappearance of the territorial base of the Nationalist Government:
 - A. The US would be confronted by the problem of whether or not it should support a Chinese Nationalist Government-in-exile.
 - B. Elimination of the last geographical basis for the Nationalist claim to international recognition as the Government of China would probably cause a number of governments not now recognizing the Chinese Communist regime to do so without further delay.

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- C. As a consequence, Chinese Communist representatives would probably be seated in the United Nations and on the Far Eastern Commission.
- D. Disappearance of the Chinese Nationalist Government as a functioning regime in the Far East would partially eliminate the basis for the present divergence between the policies of the US and the UK toward China and improve prospects for a coordinated Anglo-American approach to the problem of preventing further Communist advances.

II. Consequences for Communist China

A. The fall of Taiwan would slightly increase Chinese Communist capabilities.

- 1. The Chinese Communist regime would be strengthened economically since the fall of Taiwan would:

- a. Add approximately three million relatively literate and skilled workers to the Chinese Communist labor force.
- b. Give Chinese Communist authorities control over a sizeable agricultural surplus that, with rigorous controls on consumption, might include as much as 500,000 metric tons of rice and 250,000 tons of sugar.

If none of its surpluses went to the mainland, Taiwan would, under favorable trading conditions, add approximately \$40 million to the annual net foreign exchange receipts of Communist China.

- c. End Nationalist air raids and Nationalist interference with Chinese Communist trade. The effectiveness of both the air raids and the blockade has, however, already been sharply reduced by the appearance of a Chinese Communist air force and by the Nationalist evacuation of the Choa San Islands.
- 2. These economic gains of the Chinese Communists would be accompanied by temporary psychological advantages arising from victory over the Nationalist Government and "American imperialism," but the ~~domestic~~ political effects of the fall of Taiwan would in general be adverse to the Chinese Communists.
- a. Chinese Communist economic difficulties could no longer be blamed upon the blockade and air raids, and attributed to the US.

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- b. The need to destroy the Nationalist opposition would no longer operate as an important unifying force within the Chinese Communist regime.
 - c. The end of the civil war would aggravate the existing problem of either demobilizing the People's Liberation Army (PLA) or turning it into productive directions. Restlessness among Communist generals could become a serious political problem.
3. The fall of Taiwan would free all of the PLA for military adventures beyond China's borders and would increase the surplus of military supplies that could be given Communist-led guerrilla forces in other parts of Asia. In this connection, however, it must be noted that a large portion of the PLA, with the notable exception of the Communist airforce, is already free for use outside of China and that the Chinese Communist military surplus is already large in terms of the guerrilla requirements in question.
- B. The fall of Taiwan could contribute to a worsening of relations between the Chinese Communists and the Kremlin.
- 1. If elimination of an armed opposition proved to have a seriously disunifying effect upon the Chinese Communist regime, attempts by the Chinese leadership to restore unity could lead to disagreements with the Soviets on either domestic or foreign policy.
 - 2. The ending of the civil war would sharply reduce the Chinese Communist need for military supplies, training services, and advice from the USSR. Soviet attempts to maintain or expand the present Soviet influence in the Chinese Communist armed forces would therefore be more apt to arouse Chinese resentment than would be the case under conditions of continued hostilities. The practical effect of such resentment on Sino-Soviet relations would of course depend upon the degree of freedom of action remaining to the Chinese Communists at the time of the fall of Taiwan which would in turn depend in part on the timing of the Communist attack and the amount of Soviet aid required in reducing the island.

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3. With the coming of peace, the Chinese Communists might be expected to look to the USSR for economic assistance and, because of established limitations on both Soviet resources and Soviet generosity, to be less satisfied with the benefits flowing from adherence to the Soviet bloc than has been the case during the closing months of the civil war.
- C. The fall of Taiwan during 1950 would probably not change present Chinese Communist policies toward other parts of the Far East.
1. The President's statement of January 5, 1950, on Taiwan and the subsequent American moves to strengthen Southeast Asia should serve to prevent the Chinese Communists from misinterpreting the fall of Taiwan as evidence of lack of US will to oppose Communism in the Far East.
 2. There is only slight possibility that Chinese Communist authorities would undertake military operations not called for in present Chinese and Soviet plans, in an attempt to lessen such restlessness as may appear among Chinese generals after the fall of Taiwan.

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III. Consequences for Other Far Eastern Countries

A. Southeast Asia

The fall of Taiwan would significantly, although not critically, increase the susceptibility of the countries of Southeast Asia to Communist pressure and subversion.

1. Final victory in the civil war would enhance Chinese Communist prestige, as well as increase fears of Chinese Communist military might. At the same time, but to a lesser degree, the prestige of the US and confidence in the ability of the US to check the advance of Communism would be impaired. Only the Philippines would view Communist control of Taiwan as a new military threat in a specific, strategic sense, although release of the Chinese Communist air force would be a potential threat to Indochina.
2. A general tendency would be manifest throughout the area to accept and adjust to the fact of the rise of a new Communist power in the Far East. In particular, the hard pressed Government of Burma might be expected to seek a modus vivendi with Communist China.
3. Loss by the Chinese Nationalist Government of its last territorial base would produce reactions in the Chinese communities of Southeast Asia. Adherents of the Kuomintang would be deprived of their remaining leadership, while the Chinese Communist Party would speak with increased authority as the voice of China. As a result, the already existing tendency for the overseas Chinese to adopt a pro-Communist political orientation would be strengthened. The consequences of this tendency would be most marked in Malaya, but would be noticeable in Thailand, Indonesia, and the Philippines.

B. Japan

The fall of Taiwan might involve some slight economic loss for Japan, but would not affect the present pro-Western alignment of Japan in the cold war.

1. Conquest of Taiwan by the Chinese Communists might have the effect of cutting off shipments of sugar and fruit from Taiwan to Japan. Although relatively insignificant, these shipments possess the advantage of involving no dollar payments by the Japanese.
2. Acquisition by the Chinese Communists of still another area important in Japan's prewar trade would intensify Japanese desires for establishment of satisfactory trading relationships with Communist China.

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3. Insofar as the continued existence of the Nationalist Government on Taiwan is viewed as an obstacle to the attainment of this goal, the fall of Taiwan to the Chinese Communists would be to some degree welcomed by the Japanese.
4. The Japanese appear to accept what they interpret as the American appraisal of the strategic value of Taiwan. The fact that the US has officially disclaimed any intention of defending Taiwan precludes loss of US prestige in Japan as a result of Taiwan's fall.

C. South Korea

The fall of Taiwan would produce temporary adverse psychological reaction in South Korea because of the special feeling of kinship which exists in the Government of the Republic of Korea for the Chinese Nationalist Government.

D. India

The fall of Taiwan would have no important impact in India separate from the fall of Nationalist China as a whole. Such effect as Taiwan's loss would have in India would be in the direction of reinforcing Indian reluctance to be drawn into the cold war on the side of the West.

1. Although Indian opinion has already written off Taiwan and fall of the island would not be regarded as a major blow to US prestige, the stature of the US in Indian eyes would be slightly diminished.
2. Nehru would be strengthened in his desire to pursue his policy of making India a neutral third force in international affairs.

IV. Psychological Impact Outside the Far East

- A. The fall of Taiwan will have only minor repercussions on US prestige outside the Far East because its loss has been discounted since US disavowal of intentions to defend the island.
- B. Reactions to the fall of Taiwan outside the Far East will range from mild concern to slight relief, depending on the interests and situations of particular countries.
 1. The UK will experience mild satisfaction at partial elimination of the basis for divergence of US and UK policies toward China.

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2. Australia and New Zealand will to some degree share British satisfaction but may regret the removal of one possibility for greater direct involvement of the US in defense of the Pacific area against the Communists.
3. French reaction to Communist occupation of Taiwan will be mixed. The fall of Hainan, closer to Indochina than Taiwan, has occasioned concern but not dismay. The French will fear the potential threat of the Chinese air force after Communist occupation of Taiwan, but at the same time may feel assured that there will no longer be any occasion for diversion of US assistance from Indochina to the Chinese Nationalist Government.
4. The Netherlands, primarily concerned with their own economic interests in Indonesia, have shown little interest in the Taiwan situation and will not react strongly to the fall of the island.
5. Countries which are particularly *shown some disposition to question* preoccupied with their own internal difficulties ~~or have shown some disposition to question~~ their orientation in the cold war -- such as possibly some of the Arab states -- may experience a psychological reaction from the fall of Taiwan which is out of proportion either to the importance of the island or its relation to their own situations. Elsewhere the psychological consequences of the fall of Taiwan will be negligible.

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FACTORS TO BE CONSIDERED IN DECISION
TO INSURE RETENTION OF FORMOSA
IN NON-COMMUNIST HANDS

1. Overall cold war aspects
2. Strategic importance
3. Military practicability and military risks, including budgetary aspects
4. Political refuge for Nationalist personnel
5. Preservation of pool of anti-Communist Chinese
6. Base for covert and psychological operations against China
7. Denial of military equipment on Formosa to Communists
8. Involvement with Chiang-kai-Shek
9. Maladministration in Formosa
10. Financial and economic assistance
11. Limited military assistance
12. Propaganda aspects, particularly in China
13. Coordination with western allies
14. Effect on attempt to block Communism in SEA, especially in Philippines and French Indo-China.
15. Procedures required to implement decision

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Procedures to implement decision, if made, to insure retention of Formosa in non-Communist hands.

1. Confidential Declaration to Chiang Kai-shek, K. C. Hu and Sun Li-jen.

U.S. must insist upon cessation of hostilities between Formosa and mainland; U.S. will assist the provincial government of Formosa in its administrative and economic task; U.S. will give limited military advice and assistance to the commander responsible for the defense of the island; Chiang Kai-shek will be expected to give full freedom of action and support to the government of Formosa and to the commander responsible for the defense of the island; future attitude of U.S. toward Chiang Kai-shek will turn upon complete cooperation on his part; U.S. will expect all authorities on Formosa to give high priority to well-being of the Formosan people.

2. Note to USSR and UK. Copy to other FRO countries and to the UN.

a. The conflict in China now turns about islands and peoples in the Pacific for which the governments recently at war with Japan have continuing international responsibilities. Unless prompt preventive measures are taken, large scale fighting between forces on Formosa and forces on the China mainland can be anticipated. Not only is the heavy loss of Chinese lives to be avoided if possible; the involvement of the people of Formosa in such hostilities is not compatible with the obligations of the victorious allies to make a peaceable disposition of these peoples who are being separated from Japan.

b. Large scale fighting between forces on Formosa and forces on the mainland of China would represent a disturbance to the peace of the Pacific which the United States can not accept. The recent appearance of large numbers of Soviet personnel in close association with armed forces on the mainland has caused deep anxiety as to the proper safeguarding of international peace and security in the Pacific area, and raises basic questions as to whether the true purposes of the war-time agreements will be carried out.

c. In view of the above considerations, the United States Government proposes to the Governments of the USSR and of the UK that the question of Formosa and its relation to the maintenance of international peace and security be dealt with by the pacific processes envisaged by the Charter of the United Nations. The Government of the United States would be agreeable to any reasonable procedure for the consideration of such questions and would be prepared to consider the views of the Governments of the USSR and the UK as to how this matter might best be handled. For its own part, it is prepared to discuss the matter among the governments interested in the security of the Pacific, among the governments

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having special responsibilities under Article 106 of the United Nations Charter, in connection with the Japanese Peace Settlement, or in the Security Council or General Assembly of the United Nations. It is suggested that preliminary discussions be held among representatives of the USSR, UK and US to consider the procedure most likely to contribute to a satisfactory and peaceful result.

d. Meanwhile, the United States Government is asking the Commander of the Seventh U.S. Fleet to visit Formosa in order to prevent action by or against Formosa which would disturb the peace pending the governmental consultations referred to above.

3. U.S. Fleet Puts Itself in Control of Formosan Waters.

1. Statement by the President.

On January 5, 1950, I expressed the policy of the United States to adhere to the purpose, expressed in Cairo on December 1, 1943 and reaffirmed at Potsdam on July 26, 1945, to restore Formosa to the Republic of China. Subsequent events in China make it desirable publicly to clarify the methods by which that purpose should be effected, so far as the United States is concerned.

Since my statement of January 5, the leaders of Soviet Communism have clearly revealed their intention to dominate and use China in their program of world revolution and aggression by subversive means. Leaders of the Chinese Communist Party are lending themselves to that effort. On February 14, 1950, there was announced an agreement between them and the Soviet Union which included a military alliance with the Soviet Union. This was not a peaceful alliance between two free and sovereign governments but was an acceptance by the Communist regime in China of a domination by Soviet Russia similar to that which has deprived the Communist nations of Europe, excepting Yugoslavia, of any genuine independence. This Sino-Soviet agreement was followed by a speeding up of moves calculated to detach vast areas of China and absorb them into the Soviet Union. It was followed by an influx of Russian political, military and technical "advisers" into China who now direct the civil administration and military establishment of the mainland of China. It was followed by the public endorsement by the Peiping regime of the Soviet Communist program of aggression against the independent nations of Southeast Asia and the Pacific to the end that there should be established in those countries Communist governments subservient to Moscow.

It is apparent that those who call themselves the Peoples Republic of China can not insure that they speak for China. The

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extension of their control to Formosa by military means, with military participation by the Soviet Union, would seriously jeopardize the implementation of the real purposes of the Cairo and Potsdam declarations respecting Formosa. These declarations did not intend to subject the well-being of the inhabitants of Formosa to the unlawful requirements of the Communist struggle for imperialist expansion.

These issues are grave ones which the Government of the United States must insist be settled by peaceful means and not by armed conflict between forces on Formosa and forces on the Chinese mainland. The United States has, therefore, informed the Governments of the USSR and of the United Kingdom of our desire to have these matters taken up through peaceful processes in order that a solution can be reached which will be consistent with our obligations under the Charter of the United Nations and consistent with the requirements of international peace and security in the Pacific. Copies of our note have been furnished to the United Nations and to a number of other interested governments.

In order to insure that peace is maintained while such negotiations are in course, I have ordered the United States Navy to visit Formosan waters and to prevent armed action by or against Formosa.

5. Initiation of Negotiations.

a. Outside UN

b. Inside UN

UN Commission

Self-determination

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1. Present policy - President's statement of January 5, 1950 (TAB A)
2. New elements in situation (TAB B)
3. Overall policy considerations (TAB C)
4. Intelligence estimate on effects of fall of Formosa (TAB D)
5. Factors to be considered in decision to insure retention of Formosa in non-Communist hands (TAB E)
6. Procedures to carry out decision, if made, to insure retention of Formosa in non-Communist hands (TAB F)

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A PACKAGE OBJECTIVE

1. Formosa

to deal with Formosa as a special international issue distinct from the problem of China proper; to prevent further hostilities between Formosa and the mainland; to insure that the future of Formosa be determined by peaceful means and in such a way as to contribute to the maintenance of peace in the Pacific.

2. Recognition of a government in China

to tie our policy on recognition to such realistic and well understood factors as (a) the exercise of de facto control, (b) the consent or acquiescence of the people concerned, (c) attitude toward normal relations with others, including the treatment of foreigners, both official and private, (d) acceptance in good faith of international obligations. Pending clarification of the situation in China, U. S. will continue to recognize the Nationalist Government of China.

3. Seating in the United Nations

to bring about UN consideration of the general problem of seating representatives of Members when there are rival claimant governments; such consideration to be taken up by the Interim Committee to report to the next General Assembly on methods for deciding such questions; the next General Assembly to take up the general principles applicable to the problem and to set in motion the machinery to bring back to the Assembly a recommendation on any contested seats before the Assembly. The Assembly could, for example, set the following as relevant considerations:

a. Only the General Assembly or the Security Council should decide between competing claimant governments, and should decide by a vote of a simple majority in the Assembly and by a vote of any seven members in the Security Council.

b. In determining which of competing claimant governments should be seated, due regard should be given to

- (1) the exercise of de facto authority
- (2) the independence of the claimants
- (3) the bona fide acceptance of international obligations, especially those contained in the Charter of the United Nations.

machines & ability

c. When a government is seated by the UN as representing a Member state, such government should fulfill the obligations, financial and otherwise, of the Member to the UN.

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